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SUBJECT: NSC CHIEF SAYS PASSING THE BUDGET IS GOI CHALLENGE
NUMBER ONE

Classified By: Ambassador Daniel C. Kurtzer for reasons 1.4(b) and (d).

11. (C) Summary: Israeli NSC Director Giora Eiland told CODEL Corzine March 13 that passing the budget is the GOI's biggest disengagement-related hurdle and that all other issues are operational and will be resolved. The GOI's worst-case scenario is Palestinians attacking Israelis in Gaza while Israeli security forces and the settlers battle each other. Should Palestinian militants stage serious attacks during the withdrawal, the IDF may have no choice but to re-occupy Khan Yunis in order to protect the settlers during the evacuation. Eiland criticized Abu Mazen for giving too much away to Hamas in order to obtain the militants' compliance in maintaining a period of quiet. Israel, Eiland maintained, will not engage in any final status talks until the PA has dismantled terror organizations and Israel's security is thus ensured. He dismissed Palestinian assertions that recent elections, economic reforms, nascent security re-organization, and the sharp decrease in attacks is a sufficient basis on which to begin negotiations. Eiland said that absence of an effective mechanism within the IDF to quickly bring problems on the ground to DefMin Mofaz's attention inadvertently delayed implementation of political priorities, such as the handover of West Bank cities to PA security control. End Summary.

GOI Challenge Number 1: Passing the Budget

12. (C) NSC Chief Giora Eiland told CODEL Corzine and the Ambassador March 13 that the largest disengagement-related hurdle facing Israel is passage of the budget. Eiland said that although the GOI expects the budget to pass, there are no guarantees. Should the budget fail in the Knesset, new elections must be held by June -- only one month before disengagement is scheduled to begin. Although disengagement is an official GOI position, Eiland cautioned, a new Israeli government could delay disengagement implementation until December 2005 and still remain within the parameters of existing GOI decisions. Eiland said that MKs understand that Israel has reached the "point of no return" on disengagement, however, adding that, even if the budget should fail to pass and new elections be called, disengagement would proceed.

Worst Case Disengagement Scenario

13. (C) Eiland said that, the budget aside, the remaining GOI problems connected to disengagement are operational in nature and can be resolved, even if the process is difficult. He expressed the GOI hope that the actual withdrawal will be carried out in a period of calm. If, however, the Palestinians launch attacks as a means of portraying it as an exit under fire, the IDF may have no choice but to re-take Khan Yunis to control the situation (Note: Khan Yunis is the Palestinian city closest in proximity to the Gush Katif settlement bloc and the area from which most attacks have originated in recent weeks. End Note). "Imagine the Palestinians firing rockets on us as we fight each other," he said. Eiland agreed that occupying Khan Yunis would certainly entail Palestinian, and possibly Israeli, casualties. Furthermore, it is possible that disengagement could halt if the attacks are too severe, possibly entailing another government decision to continue.

14. (C) Eiland said that, for Israeli opponents of disengagement, it is important to demonstrate that the process is too difficult and should not be replicated elsewhere. To accomplish this, these groups may try to distract the Israeli security forces by undertaking disruptive actions elsewhere in Israel, Eiland said, although he expressed confidence that the GOI will be able to successfully cope with such a turn of events.

PA Missteps

15. (C) Eiland disputed the assumption that, because

Palestinians now have a new government, "everything is now possible," and cited the PA's relations with militant groups, in particular Hamas, as a major GOI concern. Having Hamas sit on an equal footing with the PA in Cairo and elsewhere, Eiland said, raises the organization's stature to that of an equal, a perilous development as Hamas still remains outside PA control.

16. (C) Commenting on the dialogue between Abu Mazen and Hamas, Eiland said that Abu Mazen initially assumed he had time to both negotiate with the militants and accrue some demonstrable gains from Israel to show the Palestinian people. This assumption proved to be mistaken, however, because challenges to Abu Mazen's authority, such as the break-in to the Saraya prison compound in Gaza City, were immediate. Egyptian President Hosni Mubarak's offer of a meeting in Sharm el-Sheikh increased the pressure on the PA, forcing Abu Mazen to reach a deal quickly with Hamas in order to have something to offer Israel in Sharm. In Eiland's view, Abu Mazen gave Hamas too much by promising first, not to forcibly disarm their militants, and second, to integrate them into the political system according to the strength of their showing in the elections.

17. (C) Eiland said that Abu Mazen is bereft of figures in the PA upon whom he can lean for support, and some, including Prime Minister Ahmed Qurei, are actively trying to undermine him. Furthermore, what Eiland called "the Arafat legacy" remains a part of Palestinian culture, with Palestinians still proudly proclaiming their participation in terrorist acts. Eiland lamented that, even under the new government, any punishment is light for attacks against Israeli interests, while those convicted of collaborating with Israel are sentenced to death. The Ambassador said the U.S. does not believe Abu Mazen is not showing sufficient leadership, assessing rather that the GOI does not agree with Abu Mazen's strategy.

PA-GOI Cooperation Not Yet a Reality

18. (C) Israel finds itself in the odd position of trying to persuade the PA to engage in discussions on disengagement, Eiland said, at a time when the PA is uncertain of what it wants to say. If there is full cooperation, especially on economic issues, Eiland continued, both sides benefit. Without adequate cooperative efforts, it is unlikely that the Palestinians will see sufficient improvement in their daily lives to allow Abu Mazen to reap the political benefits that disengagement offers. The Palestinians, in Eiland's view, remain preoccupied with their new government, and it remains unclear who exactly is responsible for what. Furthermore, Eiland said that "no one (in the PA) is working on plans."

Not Repeating Oslo Mistakes

19. (C) Although the GOI recognizes that it must help Abu Mazen, and could move faster in, for example, dismantling roadblocks and fixing passages, Eiland said Israel cannot move forward on status talks while "all of Hamas' capacity is still intact." The first day that Hamas is dissatisfied with developments, Eiland said, Hamas will use that capacity to again hold Israel hostage. Abu Mazen, Eiland continued, is not strong enough to take on Hamas, and therefore he must persuade the faction to comply. The Ambassador pointed out that, even were Abu Mazen stronger, Hamas is a problem that would not disappear. Eiland responded that the GOI understands that dismantling militant groups will be "a gradual process," and that there is a clear difference between the GOI's public statements and private expectations in this regard. The PA could, however, take steps such as making it illegal to carry weapons in public in lieu of immediately attempting to fully disarm militant groups. Abu Mazen needs such "demonstrations of (his) direction" for himself as much as for Israel, Eiland stressed.

110. (C) The GOI, according to Eiland, is determined not to repeat what he called the "mistakes of Oslo," and will insist that any dialogue or process with the Palestinians lead to better security for Israel. The perception of 80 percent of Israelis, Eiland said, is that Oslo failed because Israel did not insist on the full dismantling of terrorist infrastructure before giving political concessions to the Palestinians. The roadmap is far more specific than the Oslo process, he added, and, under the Israeli interpretation, Israel will not even begin to discuss final status issues until its security concerns are addressed.

111. (C) The Palestinians, however, insist that what has been accomplished to date -- elections, some economic reforms, the beginnings of security re-organization, and the overall improvement in the security situation -- is a sufficient basis upon which to proceed with political talks, Eiland

said. The Palestinians warn that failure to initiate final status talks soon (and certainly before the PLC elections in July) will result in a perhaps fatal loss of momentum.

On the Plus Side

¶12. (C) Eiland acknowledged some positive trends in the PA: Abu Mazen has replaced a number of security personnel with better qualified people; PA security forces have intercepted some five or six planned attacks and are prepared to take on security in several West Bank cities. When asked if others in the GOI also recognize the PA's accomplishments, Eiland responded that the IDF Chief of Staff assessed in a recent conversation that the PA had accomplished 10 percent of what is required. As that is up from zero the last time Eiland asked the question, Eiland laughingly affirmed that things may be moving in the right direction.

Speaking a Different Language

¶13. (C) Elaborating on the handover of West Bank cities to PA security control, Eiland said that Israel and the PA are both playing tactical games at the expense of larger strategic issues. For example, although DefMin Mofaz issues orders that a handover will take place, it is left to local IDF commanders to negotiate the details and carry out the handover. IDF and PA negotiators then clash over definitions of, for example, whether a road is or is not "open," with the IDF saying that opening the checkpoints is sufficient to enable movement, while the PA holds out for a complete absence of IDF forces in the area. Eiland said that "it takes two weeks" for problems like this to come to DefMin Mofaz's attention, as the IDF lack a mechanism that ensures his timely notification until the issue works its way up through channels.

Lebanon

¶14. (C) In Lebanon, Eiland identified three elements -- sustained U.S. and European pressure, pressure from Lebanese groups, and Arab anger -- that, in the aftermath of the Hariri assassination, all aligned and provoked remarkable opportunity for change. Eiland predicted that the Syrian withdrawal from Lebanon would be a complete one and would have one of two results: either a strong, independent Lebanon, or else a return to the chaotic wars of the 70's. Even in a best case pullout scenario, however, Syria will still retain economic clout in Lebanon, plus the loyalty of no small number of Lebanese, Eiland said. If UNSCR 1559 is fulfilled, Hizballah must disarm along with all other militias in Lebanon, Eiland said. While the GOI believes that it would have been more reasonable to press on Hizballah only after the new government gets on its feet, the Israelis understand that that moment has passed.

Iraq

¶15. (C) Eiland said that the trend emanating from Iraq is now positive and will have an increasingly positive impact in the region once other Arab populations recognize that Iraqis will have a better life than they do. Another positive sign to watch for will be Iraqis speaking out against foreigners who are fighting on behalf of the insurgency and who are responsible for killing Iraqis. The impact on the Palestinians of Iraq's move towards democracy is somewhat less, Eiland said, as Palestinians have a democratic example much closer in Israel.

¶16. (U) CODEL Corzine did not have an opportunity to clear this message.

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